

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

In re:

STEVEN P. WEGNER,

Debtor.

Bk. No. 14-10415

Chapter 11

**ORDER GRANTING MOTION FOR INTERIM AND FINAL ORDERS PURSUANT TO
11 U.S.C. §§ 105, 361, 362, 363, AND 364 (I) AUTHORIZING THE DEBTOR TO
OBTAIN POST-PETITION FINANCING; (II) AUTHORIZING THE
USE OF CASH COLLATERAL; AND (III) GRANTING ADEQUATE
PROTECTION AND POST-PETITION LIENS**

This matter having come before the Court on Steven P. Wegner's (the "Debtor") *Motion for Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363 and 364 (I) Authorizing the Debtor to Obtain Post-Petition Financing; (II) Authorizing the Use of Cash Collateral; and (III) Granting Adequate Protection and Post-Petition Liens* [D.E. 6] (the "Motion"), after such notice and opportunity for hearing as is required under 11 U.S.C. §§ 101 et seq. (the "Code") and the Federal Rules of Bankruptcy Procedure; this Court having conducted a preliminary hearing on the Motion on June 3, 2014, and a final hearing on the Motion on June 25, 2014; and it appearing that no other notice need be given; and no objections having been filed to the relief sought in the Motion, other than the Limited Objection filed by Maines Paper & Food Service - New England, Inc., which Limited Objection has been resolved through entry of this Order in its current form; and after due deliberation, and sufficient cause appearing therefore, it is hereby **ORDERED**, **ADJUDGED**, and **DECREED** that:

1. The Motion is granted pursuant to Fed. R. Bankr. P. 4001(b)(2) and Fed. R. Bankr. P. 4001(c)(2), on the terms set forth herein.

2. The Debtor is authorized to use Cash Collateral in the amounts and for the purpose set forth on the budget attached hereto as Exhibit A (the “Budget”) through September 16, 2014.

3. The Debtor is also authorized to obtain credit from Katahdin, on the terms set forth in the DIP Term Sheet, through September 16, 2014, in order to satisfy its obligations as set forth in the Budget. Any post-petition extensions of credit made by Katahdin pursuant to the DIP Term Sheet will be protected by 11 U.S.C. § 364(e).

4. As collateral for all credit granted, or to be granted, to the Debtor by Katahdin as set forth in the DIP Term Sheet and this Order, together with all interest, fees (including reasonable legal fees), expenses and all other sums and charges at any time or from time to time payable by the Debtor in connection therewith, and as adequate protection for Debtor’s use of Katahdin’s cash collateral, as well as of Katahdin’s interests in other property of the estate, Katahdin shall have, and is hereby granted, valid, binding and enforceable liens, security interests and mortgages (collectively, the “Liens”) upon all property of the estate used in the operation of the Debtor’s businesses (the “Collateral”). The Collateral shall include, but is not limited to, all interests of the Debtor in cash, inventory, general intangibles, accounts receivable, cash value of life insurance, machinery, equipment, furniture, fixtures, real estate, leaseholds, leases, deposit accounts, instruments, securities, security entitlements, and all other tangible and intangible property of the Debtor used in the operation of the Debtor’s businesses (but not including (i) causes of action arising under chapter 5 of the United States Bankruptcy Code and (ii) retainers paid to professionals employed by the Debtor, whether such retainers were paid pre-petition or post-petition), together with any and all additions and accessions thereto and replacements and proceeds (including without limitation insurance proceeds), products thereof,

acquired or created by the Debtor after the date of filing this case. Pursuant 11 U.S.C. §§ 363(e) and 364(d), these Liens shall be senior and prior to all other liens, mortgages, security and other interests in, and claims against Collateral, including any interest in the Collateral which collateralizes prior loans made by Katahdin. For the avoidance of doubt, the Liens shall not attach to (i) causes of action arising under chapter 5 of the United States Bankruptcy Code or (ii) retainers paid to professionals employed by the Debtor, whether such retainers were paid pre-petition or post-petition.

5. Debtor shall concurrently herewith or hereafter, as reasonably requested by Katahdin, undertake such actions and execute and deliver to Katahdin such documents as Katahdin may request to effectuate, evidence, confirm, validate or perfect the Liens, and to evidence the borrowings permitted under the terms of this Order including, without limitation, line of credit agreements, UCC-1 financing statements, mortgages, and amendments. All Liens and such borrowings shall be and hereby are deemed to be fully valid, binding, and perfected without the necessity of any further Court Order or documentation, and without the necessity of any public filing. To the extent, however, that Katahdin, in its sole discretion, deems it necessary or desirable to make such public filings, it may do so, the making of those filings shall not constitute a violation of the stay imposed by 11 U.S.C. § 362, and such filings shall be deemed to have been made at the time and on the date of the entry of this Order notwithstanding the actual date on which the same may actually be made. Katahdin may, in its discretion, file a certified copy of this Order in any filing or recording office in any jurisdiction in which the Debtor has or maintains an office or resides, or where any of the Collateral may be located.

6. In addition to the Liens, as adequate protection for use of cash and other collateral by the Debtor as provided in this Order, and for the limited obligations of the Debtor with respect

to any credit granted to the Debtor by Katahdin post-petition as provided by this Order, Katahdin shall have a superpriority administrative expense claim pursuant to 11 U.S.C. §§ 363(e), 364(c)(1), and 507(b) to the extent that the Liens are insufficient to provide adequate protection to Katahdin, which administrative expense shall have priority over all other all other administrative expenses in this case other than any quarterly fees which are and/or become due to the United States Trustee pursuant to 28 U.S.C. § 1930. Nothing in this Order will operate to limit the asserted claims of Maines Paper & Food Service - New England, Inc. (“Maines”) under the Perishable Agricultural Commodities Act, 7 U.S.C. § 499e (“PACA”). The rights and positions of all parties (including without limitation the Debtor, Katahdin Trust Company, and Maines) with respect to any PACA claims asserted by Maines in this chapter 11 case are hereby preserved.

7. No other lien, mortgage, or security interest in or upon the Collateral shall be granted or allowed with a priority superior or *pari passu* to the first-priority of the Liens, granted to Katahdin in this Order. No claim or expense, administrative or otherwise, other than any fees which are due and/or become due pursuant to 28 U.S.C. § 1930, shall be granted or allowed priority superior to or *pari passu* with the priority of the administrative expense claims granted to Katahdin pursuant to this Order. In no event shall any Lien be subject to any lien or security interest that is avoided and preserved for the benefit of the Debtors’ estates under 11 U.S.C. § 551, and in no event shall any person or entity who pays (or through the extension of credit to any Debtor, causes to be paid) any portion of any debt of the Borrower to Katahdin be subrogated, in whole or in part, to any rights, remedies, claims, privileges, liens or security interests granted in favor of, or conferred upon, Katahdin by the terms of this Order, until such time as all of such debt is indefeasibly paid in full in cash.

8. Except as may otherwise be agreed in writing by Katahdin, the Debtor shall maintain all debtor-in-possession deposit accounts at Katahdin to the extent permitted by applicable U.S. Trustee guidelines.

9. Consent to entry of this Order by Katahdin does not constitute consent to the imposition of any surcharge under 11 U.S.C. § 506(c). Neither the Debtor nor any other representative of the Debtor's estate shall have any right to assert any surcharge claims against Katahdin or its collateral under § 506(c) for any expense incurred or arising during through the completion of the hearing provided for in Section 12 of this Order.

10. The Debtor has stipulated to the following, which stipulations, except to the extent provided in Section 11 of this Order, are binding upon the Debtor and the estate:

a. The obligations of the Debtor and of NorthCountry Management Group, Inc. (the "Corporation") under the terms of the First Loan and the Second Loan (as those terms are defined in the Motion) (collectively, the "Prior Loans"), and under the terms of the documents (the "Prior Loan Documents") evidencing, guarantying, securing, or otherwise relating to the either of the Prior Loans, are valid, proper, legal, binding and enforceable in accordance with their respective terms and for the amounts claimed by Katahdin, except to the extent modified or prohibited by the Bankruptcy Code.

b. All of the rights, titles, interests, actions, causes of action, suits, damages, lost profits, costs, fees, attorneys' fees, interest, penalties, disbursements, demands and claims of every kind and nature whatsoever, whether now or formerly existing or made, of Katahdin under, pursuant or related to the either of the Prior Loans, whether existing or made under or pursuant to law and/or equity, were and are valid, proper and enforceable in accordance with their terms and at law or in equity.

c. The Debtor has ratified and confirmed all of his obligations under or pursuant to either of the Prior Loans and the Prior Loan Documents, and has assumed all obligations of the Corporation under the terms of those Loans and Documents.

d. The Debtor has no claim, cause of action, counterclaim, offset, right of recoupment, reduction, or defense of any kind, whether directly or indirectly, or as guarantor, promisor, or party assuming obligations of the Corporation, as against or related in any way to Katahdin, the Prior Loans, or the Prior Loan Documents, and the Borrower has waived and released any such claim, cause of action, counterclaim, offset, right of recoupment, reduction, or defense of any kind to the extent that such may exist as of the date of this Order.

e. The amounts owed to Katahdin under, pursuant and/or related in any way to either of the Prior Loans or any of the Prior Loan Documents, or the obligations evidenced by the Prior Loan Documents, are owed to Katahdin absolutely and such amounts and all rights of Katahdin under, pursuant or related to the either of the Prior Loans or any of the Prior Loan Documents, and the loans and obligations evidenced by the Prior Loan Documents, are not subject to any claim, cause of action, counterclaim, offset, right of recoupment, reduction, or defense of any kind by the Debtor and/or the Corporation, by virtue of anything that has occurred or not occurred, or been done or not done, up to the date of this Order.

f. All liens, mortgages and security interests granted to Katahdin in the Loan Documents are valid, duly perfected and enforceable in accordance with their respective terms and conditions except to the extent modified or prohibited by the Bankruptcy Code, and the interests granted to Katahdin in those documents are superior to and have priority

over all other interests of any entity other than Katahdin in, to, and upon the collateral to which they refer, except: (i) any real or personal property tax liens; and (ii) as otherwise permitted in the Prior Loan Documents.

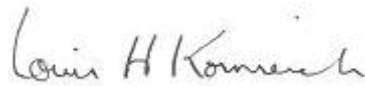
g. All transfers, obligations and conveyances made to or for the benefit of Katahdin in connection with, or relating to, either of the Prior Loans or any loan and obligations evidenced by any of the Prior Loan Documents were made or incurred for reasonably equivalent value and with no actual intent to hinder, delay or defraud any past, present or future creditor of (or any other entity) the Corporation and/or the Debtor, and any entity to which the Corporation and/or the Debtor was, is or may become indebted. No such transfer, obligation or conveyance is avoidable pursuant to 11 U.S.C. §§ 502(d), 544, 545, 547, 548, 549, 550 or 553, or pursuant to any fraudulent transfer, preference or other claim or action which seeks to avoid or set aside transfers of any property of the Corporation or the Debtor as a fraudulent transfer, preference, or for any other reason, and the Debtor has waived and released any such claim, cause of action, counterclaim, offset, right of recoupment, reduction, or defense of any kind to the extent that such may exist as of the date of this Order.

11. The U.S. Trustee, any creditors' committee, or trustee appointed in the case shall have up to 70 days, in the case of the U.S. Trustee, from June 6, 2014 (unless retention of committee counsel has previously been approved by this Court or a trustee has been appointed during that 70 day period), in the case of a committee, from the date on which this Court approves retention of counsel for that committee, or, in the case of a trustee, from the date of appointment of that trustee to: (i) object to extent, amount, validity and priority of all outstanding obligations of the Debtor and/or the Corporation to Katahdin, as well as of all collateral interests

securing the same; (ii) assert any defenses, counterclaims, or offsets against any outstanding claim of Katahdin against the Debtor or the Corporation; (iii) assert any other claims of the Debtor and/or Corporation against Katahdin including without limitation surcharge claims under § 506(c) (other than those described in Section 9 hereof, which have been waived), avoidance actions pursuant to 11 U.S.C. §§ 502(d), 544, 545, 547, 548, 549, 550 or 553, or pursuant to any fraudulent transfer, preference or other claim or action which seeks to avoid or set aside transfers of any property of the Corporation or the Debtor as a fraudulent transfer, preference, or for any other reason.

12. Further hearing on the Motion, including, but not limited to, any extension of the period within which cash collateral may be used and the Debtor may continue to borrow from Katahdin as provided in this Order, is scheduled for September 16, 2014, at 9:00 a.m. at the United States Bankruptcy Court for the District of Maine, in Bangor, Maine. Objections, if any, to any such extension shall be filed and served on or before September 4, 2014.

Dated: June 25, 2014



The Honorable Louis H. Kornreich
United States Bankruptcy Judge



NORTH COUNTRY MANAGEMENT GROUP
90 Day Cash Collateral Budget - Scenario 8 Stores
As of June 23, 2014 - DRAFT

	Week Begin 6/30/2014	Week Begin 7/7/2014	Week Begin 7/14/2014	Week Begin 7/21/2014	Week Begin 7/28/2014	Week Begin 8/4/2014	Week Begin 8/11/2014	Week Begin 8/18/2014	Week Begin 8/25/2014
Beginning Cash	5 \$97,604	4 \$108,314	4 \$3,275	4 \$19,654	4 \$12,487	4 \$75,747	4 \$54,945	4 \$49,866	4 \$60,122
Cash Receipts									
Sales	132,758	184,748	184,748	184,748	184,748	202,217	202,217	202,217	202,217
Misc Income	0	0	0	0	0	0	0	0	0
Other - KTC DIP Loan	0	0	0	0	0	0	0	0	0
Total Cash Receipts	132,758	184,748	184,748	184,748	184,748	202,217	202,217	202,217	202,217
Cash Disbursements - Operations									
Food cost		36,324	61,522	97,846		100,101		100,101	
Paper cost		8,550		8,550		8,966		8,966	
Crew Payroll	31,657	36,257	36,257	36,257	36,257	39,856	39,856	39,856	39,856
Management Payroll	3,859	4,823	4,823	4,823	4,823	4,823	4,823	4,823	4,823
Group Insurance	6,669				6,669				
Payroll Taxes	3,221	8,306	8,306	8,306	8,306	9,099	9,099	9,099	9,099
Uniforms	861				888				
Operating Supplies	1,474	1,715	1,715	1,715	1,715	1,770	1,770	1,770	1,770
Repair and Maintenance	4,638	5,393	5,393	5,393	5,393	5,560	5,560	5,560	5,560
Office Expense		692				716			
Cash over/short	100	116	116	116	116	120	120	120	120
Miscellaneous	649	754	754	754	754	777	777	777	777
Training				398				411	
Controllable - Sub Total	53,128	102,238	119,579	164,159	64,922	171,072	62,721	171,483	62,005
Utilities	9,708	24,057	24,057	10,320	10,320	10,447	10,447	10,447	10,447
Refuse	1,466	1,702	1,702	1,702	1,702	1,637	1,637	1,637	1,637
Promotion		6,638					6,843		
Rent	25,766				26,540				
Taxes and Licenses	0	883	9,423	0	0	883	0	0	0
Liability Insurance									
Worker's Comp Insurance			2,873				2,873		
Advertising		26,552					27,370		
Employee Travel	143	166	166	166	166	171	171	171	171
Royalties		26,623					27,271		
Bank Charges	1,323	1,692	1,692	1,692	1,692	1,847	1,847	1,847	1,847
Sales Tax		53,103					54,740		
Payroll Processing Fees	333	333	333	333	333	333	333	333	333
Total Operating Expenses	91,867	243,988	159,825	178,371	105,675	186,390	196,252	185,917	76,440
Operating Cash Flow	40,892	-59,240	24,923	6,377	79,073	15,827	5,965	16,300	125,777
Ending Cash Balance - Operating	138,496	49,075	28,198	26,031	91,561	91,574	60,909	66,165	185,899

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	Week Begin 6/30/2014	Week Begin 7/7/2014	Week Begin 7/14/2014	Week Begin 7/21/2014	Week Begin 7/28/2014	Week Begin 8/4/2014	Week Begin 8/11/2014	Week Begin 8/18/2014	Week Begin 8/25/2014
Corporate Overhead - NCMG									
Management Payroll	4,072	3,281	3,281	3,281	3,281	3,281	3,281	3,281	3,281
Admin Payroll	325	406	406	406	406	406	406	406	406
HEALTH INSURANCE	4,386	4,386				4,386			
Payroll Taxes	6360	700	700	700	700	700	700	700	700
Repair & Maintenance		200				200			
Office Expense	180	225	225	225	225	225	225	225	225
Training	16	20	20	20	20	20	20	20	20
TOTAL UTILITIES		650				650			
Office Maintenance		300				300			
SALES PROMOTION		50				50			
RENT-BUILDING & EQUIPMENT									
TOTAL TAXES AND LICENSES									
WORKER'S COMP.	100				100				
TOTAL EMPLOYEE TRAVEL	459	574	574	574	574	574	574	574	574
BANK CHARGES	170	213	213	213	213	213	213	213	213
COMPUTER SUPPORT & PROGRAMMING	500	625	625	625	625	625	625	625	625
Officer Life Insurance		0							
Legal		27,500	0			25,000			
Accounting		6,670			9,170				9,170
Consulting	24,000			7,500			5,000		
USTrustee Fees			2,500						
DIP Interest	0								
Total Corporate Disbursements	30,182	45,800	8,544	13,544	15,814	36,630	11,044	6,044	15,214
Total Disbursements	122,048	289,788	168,369	191,915	121,489	223,020	207,296	191,961	91,653
Total Expenses - Consolidated	648,581				771,560				713,930
	708,446				710,375				764,896
Net Cash Flow - TOTAL	10,710	(105,039)	16,380	(7,167)	63,260	(20,803)	(5,079)	10,256	110,564
Ending Cash Balance	\$108,314	\$3,275	\$19,654	\$12,487	\$75,747	\$54,945	\$49,866	\$60,122	\$170,685

NORTH COUNTRY MANAGEMENT GROUP
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As of June 23, 2014 - DRAFT

	Week Begin 9/1/2014	Week Begin 9/8/2014	Week Begin 9/15/2014	Week Begin 9/22/2014	Week Begin 9/29/2014
	5	5	5	5	5
Beginning Cash	\$170,685	\$41,539	-\$18,045	-\$90,798	-\$24,391
Cash Receipts					
Sales	143,219	143,219	143,219	143,219	143,219
Misc Income	0	0	0	0	0
Other - KTC DIP Loan					
Total Cash Receipts	143,219	143,219	143,219	143,219	143,219
Cash Disbursements - Operations					
Food cost	109,546		109,546		
Paper cost	9,815		9,815		
Crew Payroll	28,136	28,136	28,136	28,136	28,136
Management Payroll	3,859	3,859	3,859	3,859	3,859
Group Insurance	6,669				6,669
Payroll Taxes	6,438	6,438	6,438	6,438	6,438
Uniforms	974				860
Operating Supplies	1,552	1,552	1,552	1,552	1,552
Repair and Maintenance	4,868	4,868	4,868	4,868	4,868
Office Expense		784			
Cash over/short	105	105	105	105	105
Miscellaneous	681	681	681	681	681
Training		449			
Controllable - Sub Total	172,643	45,639	166,234	45,639	53,168
Utilities	9,188	9,188	9,188	9,188	9,188
Refuse	1,448	1,448	1,448	1,448	1,448
Promotion		7,490			
Rent	28,641				26,472
Taxes and Licenses	11,546	9,838	26,057	12,244	14,444
Liability Insurance	7,589				
Worker's Comp Insurance		2,873			
Advertising		29,958			
Employee Travel	150	150	150	150	150
Royalties		29,829			
Bank Charges	1,313	1,313	1,313	1,313	1,313
Sales Tax		59,916			
Payroll Processing Fees	328	328	328	328	328
Total Operating Expenses	232,845	197,968	204,716	70,308	106,510
Operating Cash Flow	-89,626	-54,749	-61,497	72,911	36,709
Ending Cash Balance - Operating	81,060	-13,210	-79,543	-17,886	12,318

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	Week Begin 9/1/2014	Week Begin 9/8/2014	Week Begin 9/15/2014	Week Begin 9/22/2014	Week Begin 9/29/2014
Corporate Overhead - NCMG					
Management Payroll	2,625	2,625	2,625	2,625	2,625
Admin Payroll	325	325	325	325	325
HEALTH INSURANCE	4,386				4,386
Payroll Taxes	560	560	560	560	560
Repair & Maintenance	200				
Office Expense	180	180	180	180	180
Training	16	16	16	16	16
TOTAL UTILITIES	650				
Office Maintenance	300				
SALES PROMOTION	50				
RENT-BUILDING & EQUIPMENT					
TOTAL TAXES AND LICENSES		6,420			
WORKER'S COMP.	100				100
TOTAL EMPLOYEE TRAVEL	459	459	459	459	459
BANK CHARGES	170	170	170	170	170
COMPUTER SUPPORT & PROGRAMMING	500	500	500	500	500
Officer Life Insurance					
Legal	23,500				
Accounting				1,670	
Consulting	5,000				
USTrustee Fees					
DIP Interest	500				500
Total Corporate Disbursements	39,521	4,835	11,255	6,505	9,821
Total Disbursements	272,366	202,803	215,971	76,813	116,331
Total Expenses - Consolidated					884,283
					680,725
Net Cash Flow - TOTAL	(129,147)	(59,584)	(72,752)	66,406	26,888
Ending Cash Balance	\$41,539	(\$18,045)	(\$90,798)	(\$24,391)	\$2,497